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FISCAL IMPACT REPORT

SPONSOR: Coll DATE TYPED: 03/08/03 HB 807/aHEC

SHORT TITLE: Tuition Scholarships SB _____

ANALYST: Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$360.0 *additional impacts begin in FY 05; see text	Recurring (with escalation over time; see text)	Lottery Tuition

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 377

Relates to SB 27, SB 77, SB 217, SB 373

Relates to HB 32, HB 81/a, HB 125, HB 171/a, HB 807, HB 885

SOURCES OF INFORMATION

LFC Files

Commission on Higher Education (CHE)

New Mexico Lottery Authority

New Mexico State University

State Department of Education

University of New Mexico

SUMMARY

Synopsis of HEC Amendment

The House Education Committee Amendment makes technical changes to the bill, such as clarifying the one-year window, consistent with the academic year; clarifying one additional semester of eligibility at two-year institutions; and clarifying if students wishing to attend part-time may do so during the one-year grace period. The amendment reflects that a full-time student attending a two-year institution, then transferring to a four-year institution would be eligible for a combined total of four consecutive years of lottery tuition scholarship, if all other eligibility requirements are met.

Synopsis of Original Bill

House Bill 807 authorizes a one-year window between graduation (or receipt of a GED) and enrollment in a public, post-secondary educational institution for a qualifying student to maintain eligibility for a lottery tuition scholarship. This provision is applicable beginning in May 2003.

The bill makes technical changes regarding the use of institutional funds among the community colleges and universities by eliminating the requirement for two-year schools to use certain other scholarship funds before granting lottery tuition scholarships. The bill also expands two-year institution student eligibility for the scholarships from two to two and one-half years.

Significant Issues

This is a Legislative Finance Committee-sponsored bill.

FISCAL IMPLICATIONS

According to a CHE survey of institutions, the projected fiscal impact is difficult to determine. The following is based on student eligibility data and award data compiled by CHE, with some modifications.

The recurring, incremental fiscal impact for the fund award component and the additional semester of eligibility at two-year institutions would begin in FY04. This impact is estimated to increase claims on the lottery tuition fund by about \$360.0.

A recurring, incremental fiscal impact from the one-year window for maintaining eligibility would begin to impact the lottery tuition fund in FY05. This impact is delayed due to the applicability language in Section 6.

Currently, a May 2003 graduate is required to go directly from high school to a post-secondary institution in Fall 2003, with that first semester, Fall 2003, being the "bridge semester". Under the provision to extend eligibility to within one year of completing graduation, that student would be able to wait until Fall 2004 to enter a post-secondary institution and still be eligible for lottery tuition scholarship.

While some students might choose to enter in Spring 2004, this analysis assumes most of the impact would occur during the 2004-2005 academic year, i.e. FY05. According to budget officials at two institutions, this bill would be interpreted similar to the current program, such that entering students would not be eligible for lottery tuition scholarship funding until the spring semester. The one semester impact could be approximately \$710.0, assuming 3 percent growth in resident tuition rates. The incremental full year cost of this provision in FY06 would be \$1,400.0.

Therefore, the fiscal impact could be summarized as follows:

FY04: \$360.0

FY05: \$1,070.0 (\$360.0 + \$710.0)

FY06: \$1,760.0 (\$360.0 + \$1,400.0)

Increases in resident tuition rates as well as underlying scholarship eligibility and demographics would influence out-year fiscal impacts for this bill as well as the existing program.

OTHER SUBSTANTIVE ISSUES

According to a recent budget analysis of the Lottery Success Scholarship Program, fund balances are expected to increase through FY08, and the fund will support current eligibility guidelines and demographic projections through 2013. However, recurring expenditure growth is projected by CHE to exceed recurring revenue growth in FY09. The CHE does not support changes to the Lottery Success Scholarship program.

AW/sb